

April 30, 1999

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Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Room 222  
Washington, DC 20554

**RECEIVED**  
**APR 30 1999**  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

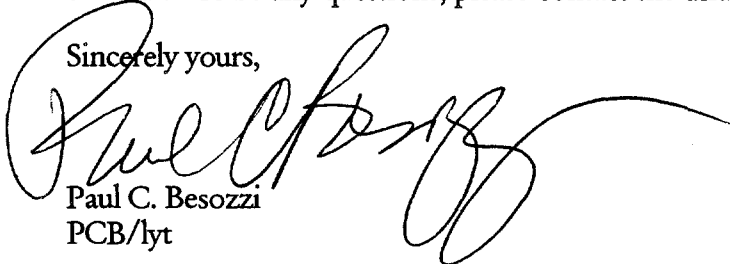
Re: Ex Parte Notice - CC Docket No. 98-141

Dear Ms. Salas:

In accordance with Section 1.1206 of the Commission's Rules, I hereby provide the requisite notice that on April 29, 1999, Olukayode Ramos, Chairman and CEO, Supra Telecommunications & Information Systems, Inc., along with the undersigned and Jeffrey Ross of this office, met with Thomas Krattenmaker, Robert Atkinson and Michelle Carey of the Commission's Staff to discuss discussion proposals contained in Supra's previously-filed comments in this Docket regarding divestiture of assets. Two copies of certain written materials used in this discussion are enclosed.

Should there be any questions, please contact the undersigned.

Sincerely yours,



Paul C. Besozzi  
PCB/lyt

Enclosures

No. of Copies rec'd CH  
List A B C D E

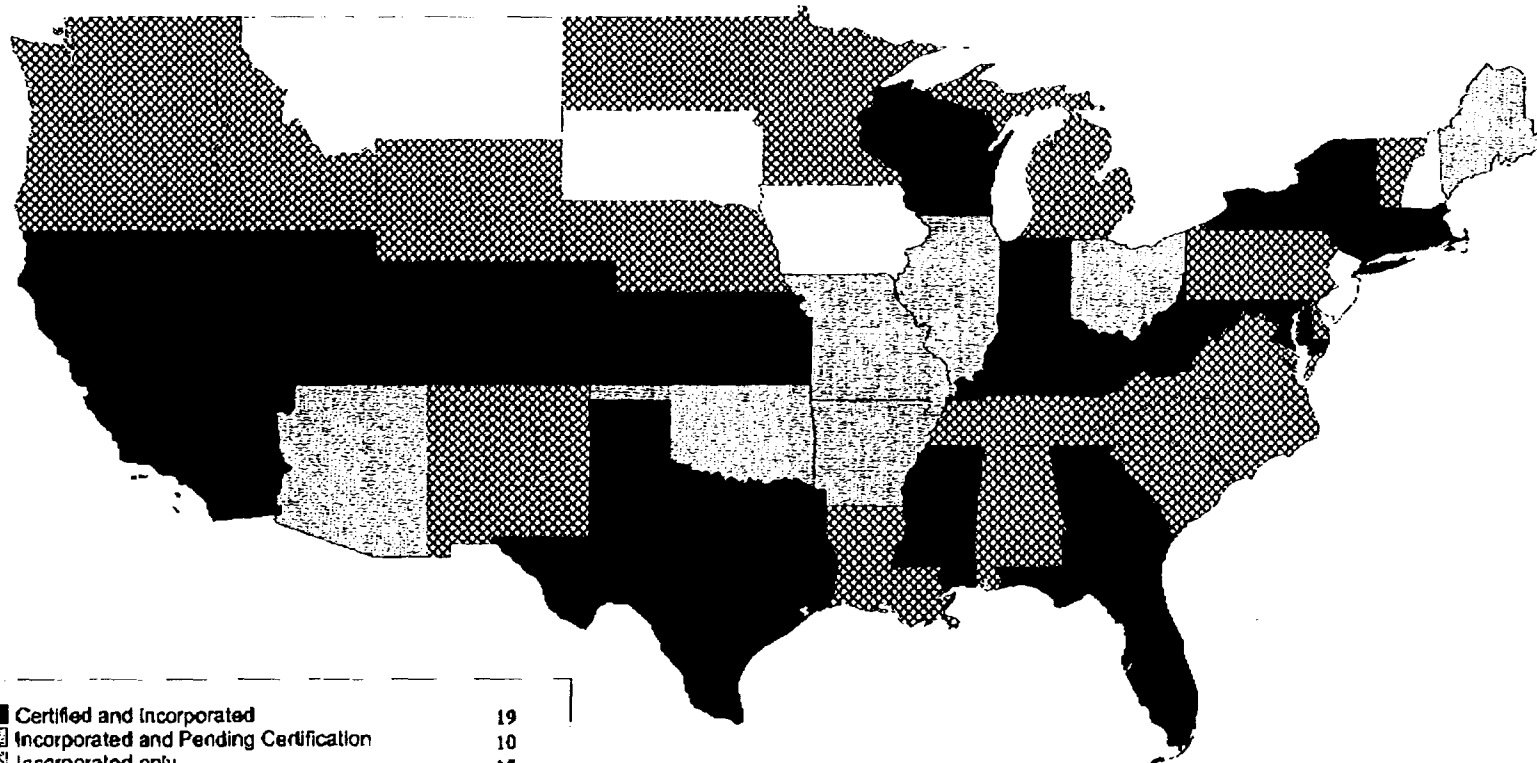


*One Company, One Bill, One Low Price*

## **A PROPOSAL FOR TRUE LOCAL COMPETITION**

# Supra Is An...

➡ Integrated Carrier offering : Local, Long Distance and Internet



■ Certified and Incorporated	19
▨ Incorporated and Pending Certification	10
▤ Incorporated only	15
Total	44

# Supra's Focus.....

**A Commitment to Serve the Consumer Market**

## **Consumer Market (1-6 Lines)**

Accounts for over 80% of the Nation's Access Lines

Residence (60%)  
Small Business (20%)

Currently served only by ILECS

## Broad Aims Of The 1996 Act

**INTERCONNECTION**

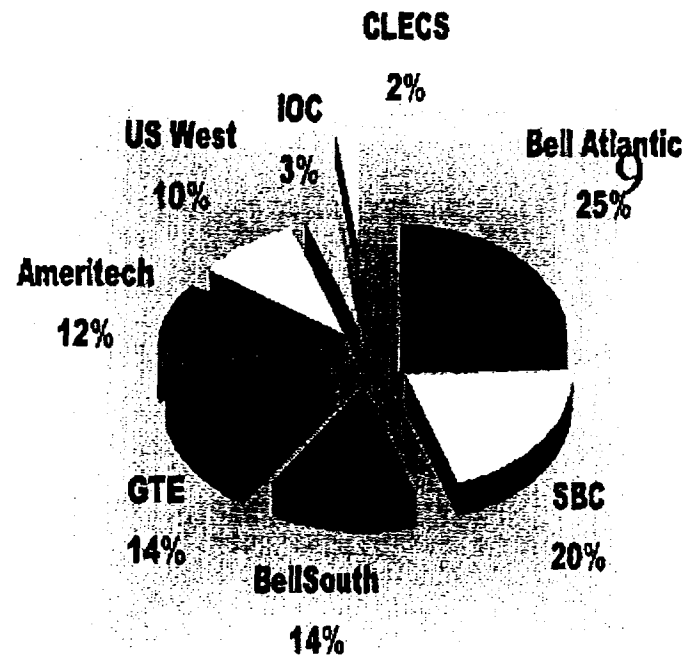
**LOCAL  
LOOP**

**COMPETITION**

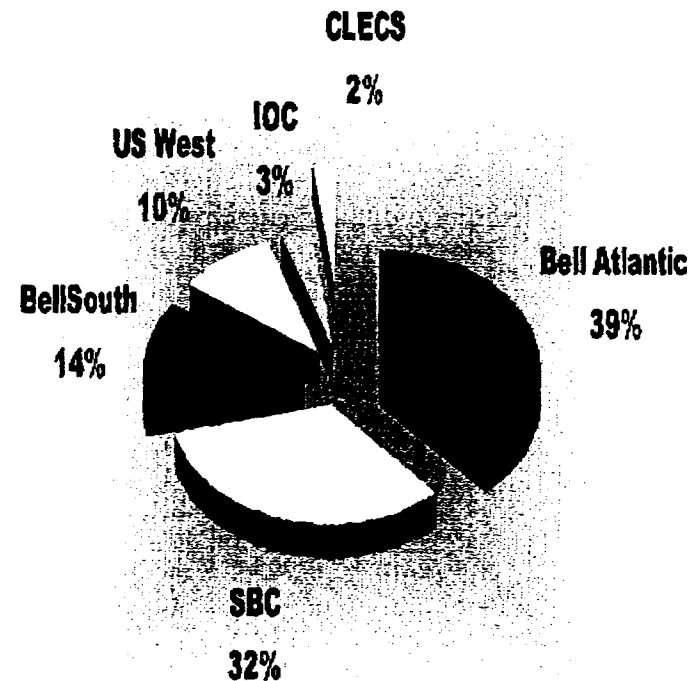
**COLLOCATION**

## Scorecard 3 Years After The 1996 ACT COMPETITION ?!?

Before the Merger



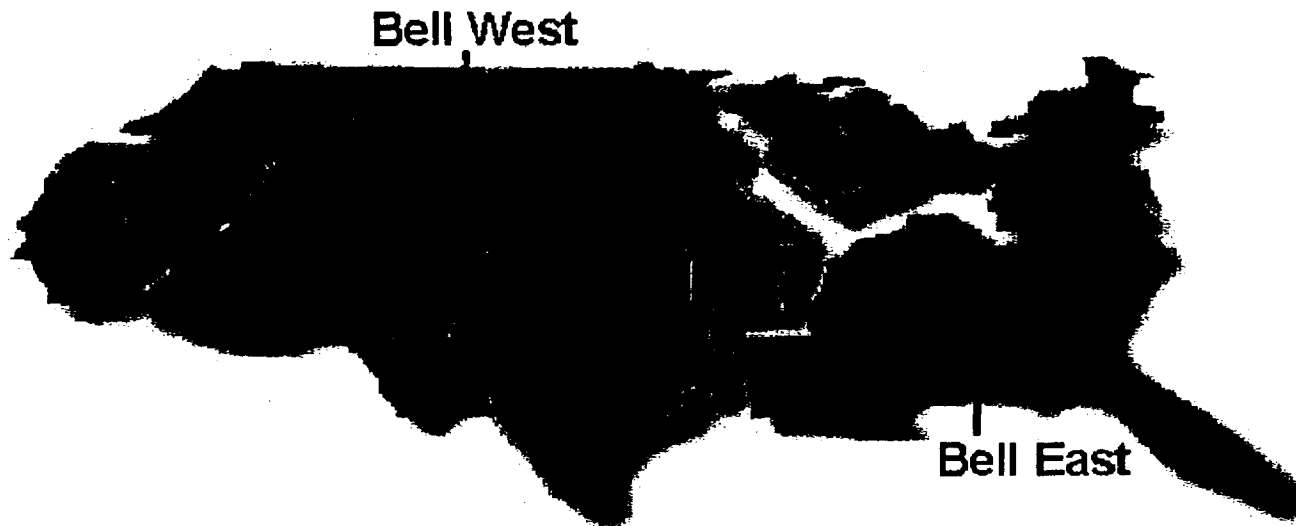
After the Merger



\* 1998 Plant Investment ILECS \$ 170.0 B (85%) and CLECS \$ 30.0 B (15%)

**RBOC Definition After Future Round of Mergers**  
**“Consolidation of all Bell Companies into a single company”\***

ID=



**\*Bell Atlantic-Nynex June 23,1997 (Declaration of William F Baxter)**



## ROAD BLOCKS TO TRUE LOCAL COMPETITION

- Resale margins too low to permit development of solid competitive foothold.
- Unbundled network element offerings left uncertain by continued litigation by ILECS over availability and price.
- Continued ILEC foot-dragging on back office services necessary to truly compete, particularly on a residential level.
- Continued ILEC consolidation can only exacerbate the obstacles to competition.

**PROPOSED MERGER CONDITION -----**  
**DIVESTMENT OF CENTRAL OFFICE ASSETS**

◆20% of the merging companies' central offices (COs), together with the corresponding local loops which tie into those COs and various/support assets. COs would be evenly distributed, so that recipients of the divested assets could not cherry pick business or urban assets.

◆Divestment must include customer customer service support and OSS access.

◆Bilateral interconnection agreements enabling CLECs and ILECs to collocate in each central office.

## Benefits of the Proposal

- Secures lower rates for residential customers as a result of competition.
- Secures CLECS access to the "Last Mile" to residential customers.
- Requires the sharing of OSS and underlying databases, thus loosening ILECS grip on this important aspect of the telecommunications business.
- Provides ILECS incentives to open up non-divested central offices: Collocation, UNES and Interconnection.
- Creates competitive landscape of facilities-based companies within miles of each other.
- Realizes the broad aims of the Telecommunications Act of 1996.

**Divestiture proposal promises what has not been possible through regulation or deregulation: true competition in the local phone market that will lower rates and speed deployment of advanced services to consumers.**



## CENTRAL OFFICE SELECTION CRITERIA

- The central offices divested must be representative (the median value) of the collective profitability of the central offices before divestment.
- Even distribution throughout each merging companies' region.
- Same proportion of rural and urban offices as currently exists.
- Same proportion of tandem and non-tandem offices as currently exists.
- Same proportion of tandem and rural/urban offices as currently exists.
- A "shirts-skins" or "you pick, I choose" approach.
- A formula whereby ILECS would be allowed to protect a portion of the assets of their choice.
- At least one central office in each area code.

# PRICING OF THE CENTRAL OFFICES

**PRICE:** The price is the sum of the rates of the following elements, adjusted by the factors listed below the elements, with results audited by an accounting firm:

## ELEMENTS:

- ⇒ Access lines in service
- ⇒ Access lines not in service
- ⇒ Real estate
- ⇒ Income stream

## FACTORS:

- ⇒ Technical quality of the assets
- ⇒ Physical quality of the assets
- ⇒ Age of the assets
- ⇒ Dollar value per access line
- ⇒ Analog/digital
- ⇒ Trunking factor
- ⇒ SS7 capability
- ⇒ Whether ownership of the real estate is by lease, or fee simple
- ⇒ TELRIC



## Eligibility Criteria For Recipients of Divested Central Office Assets

- Serve the residential consumer market.
- Hold onto central office assets for a specified period of time (e.g. 10 years).
- Benefit consumers immediately by reducing rates for all services by 20%.
- Deploy advanced services rapidly to consumers.
- Provide non-discriminatory, reasonable interconnection.
- Compete outside of recipient's central office assets.
- Maintain the financial qualifications necessary to operate the central office assets.

## CONCLUSION (1)

- The FCC and State Regulators Have An Historic Opportunity to Open the Local Phone Market to Competition By Requiring ILECs to Divest a Portion of Their Central Office Assets.
- Competition From Divestiture of Central Office Assets to Competitive Providers Will Bring Consumers Lower Rates and the Rapid Deployment of Advanced Services.
- Three Years After Enactment of the 1996 Act, the FCC Has One Final Chance to Fulfill the Mandates of the Act by Bringing Competition to Local Phone Market.



## CONCLUSION (2)

Only facilities-based competitors will ultimately break the ILEC monopoly on residential marketplace, yet CLECs do not have the right regulatory incentives and security to build their own facilities.

The quid pro quo for continued ILEC consolidation must be seeding of genuine competitors through divestiture of central office assets.